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Voluntary - Public

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Rice Update

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Grain and Feed

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Report Highlights:

Government of Egypt (GOE) policies which limit rice production to decrease water use, while also maintaining low consumer rice prices, are having a substantial impact on the sector. The Ministry of Trade and Industry suspended rice exports at least until the new crop is harvested in October 2010 due to rising domestic rice prices. As a result of increased export demand, traders have been storing rice in anticipation of even higher international prices. Therefore, there was a shortage of available crop in the domestic market, causing domestic prices to rise and thereby raising concerns in the GOE over food price inflation. Rice area and production are forecast down significantly this year, although there has been some late planting as farmers react to recent higher prices. Rice imports are expected to increase and exports will decrease further in 2010/11.

Rice Policies Impact Production and Trade:

Government of Egypt rice policies have two major goals – 1) Restrict planting to reduce water use and

2) maintain low domestic rice prices to improve consumer welfare. In addition, the GOE wants to keep prices low to limit the budgetary outlay on the 950,000 tons of milled rice that is purchased to supply ration card recipients. The GOE goal is to reduce rice area to approximately 1.2 million feddan or about 500,000 hectares, which is the area in the Delta that needs to be under rice cultivation to control soil salinity problems. This would imply production of only 3,250 TMT, well below domestic consumption.

As Egyptian medium grain rice commands high prices in export markets, the GOE must decouple the domestic price from the international price to maintain low domestic prices. The GOE uses an export tax and export restrictions to achieve this goal. The burden of these measures fall largely on the farmers who receive low prices for their paddy rice.

The Ministry of Trade and Industry suspended auctions of rice export licenses until the new crop appears in the market in October 2010. Egypt has exported 560 TMT in 2009/10 so far, and is expected to export the full 600 TMT for which export licenses have been issued. Rice exports were officially banned in 2008 (Decree #258). In February 2009, Ministry of Trade and Industry allowed rice exports of quantities not exceeding 600 TMT per year given two conditions: 1) the exporter must supply matching quantities to the government through an auction system and, 2) the exporter must pay \$175/ton as export fees to the government. The government hopes to stabilize the prices with this measure by encouraging traders to release stocks, which they had anticipated exporting, onto the local market. During MY 2009/10, the Ministry of Trade and Industry allowed rice exports of quantities equivalent to those procured by the General Authority for Supply Commodities (GASC) - through auctions - to supply the quantities needed for the ration card holders.

The Ministries of Agriculture and Trade and Industry are currently investigating a number of procedures to make rough rice available so that the mills can still operate. The objectives are to keep these mills running, and people to continue working in the industry. Traders have proposed importing paddy rice, both medium and long grain, with a view to re-exporting the milled rice to regional markets. However, quarantine authorities have concerns over paddy rice imports, and if allowed, imports would likely have to be milled at or near the ports of entry. In addition, some milled rice will also be imported. Pakistan, India and Vietnam are most often mentioned as potential origins. Post forecasts a significant increase in imports in 2010/11.

A recent jump in rice prices came as a result of the government efforts to restrict water use by decreasing the area of rice and continued high export demand. However, export taxes and other export restrictions decouple domestic paddy prices from the world market. The increase in prices started

when it was rumored that the available rice quantities in the local market had decreased. Traders purchased the crop in the beginning of the season at \$200/ton of rough rice, stored it and then, in few months, the price increased to \$211/ton. It continued to increase until it reached \$260/ton in this past month. Consumer prices for the non-ration rice are equivalent to some \$900/ton which is more in-line with international prices for medium grain rice.

Higher rough rice prices have encouraged farmers to increase planted area through some late planting. However, planted area will still be well below post's earlier forecast. Initial indications were that approximately 500,000 hectares would be planted, which is in line with official government policy to restrict rice planting to conserve water. However, good prices encouraged late planting in May, resulting in Post's current forecast of 600,000 hectares. Post will have a better idea in the next month or two of actual planted area, which may well be lower than the current forecast.

With resulting lower production, which will be only partly made up by imports, Post expects decreased exports and consumption. Forecast exports of 300 TMT reflect a major decline from historic levels as Egypt transitions from an important rice exporter to maintaining self-sufficiency.

Imported long grain rice is not very popular in Egypt and that is why long grain prices have not increased and the merchants import only limited quantities. However, it is expected that Egypt may start to import significant quantities of rice for the first time to respond to the needs of the local and export market since many of the merchants did not fulfill their quantities that they should have sold to the government due to the lack of the crop in the market. Recently, Post has been approached by exporters who are interested in importing rough rice to be milled locally, adding value, keeping the mills operating, and then re-exporting the milled rice.

Milled	Rice, Egypt			2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010					
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post			
Area Harvested	672	672	672	670	670	670	640		600			
Beginning Stocks	685	635	685	657	742	557	492		292			
Milled Production	4,402	4,387	4,402	4,300	4,374	4,300	4,200		3,900			
Rough Production	6,772	6,749	0	6,615	6,729	0	6,462		6,000			
Milling Rate (.9999)	6,500	6,500	0	6,500	6,500	0	6,500		6,500			
MY Imports	20	20	20	35	20	35	35		150			
TY Imports	20	20	20	35	20	35	35		150			

TY Imp. from U.S.	0	0	5	0	0	1	0		2
Total Supply	5,10 7	5,04 2	5,10 7	4,99 2	5,13 6	4,89 2	4,72 7		4,34 2
MY Exports	450	300	550	500	900	600	400		300
TY Exports	575	300	550	520	900	600	400		300
Consumption and Residual	4,00 0	4,00 0	4,00 0	4,00 0	3,68 0	4,00 0	4,00 0		3,85 0
Ending Stocks	657	742	557	492	556	292	327		192
Total Distribution	5,10 7	5,04 2	5,10 7	4,99 2	5,13 6	4,89 2	4,72 7		4,34 2